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Second progress report on the adoption of International Public Sector Accounting Standards by the United Nations

Report of the Secretary-General

Summary

The General Assembly, in its resolution 60/283, approved the adoption of International Public Sector Accounting Standards (IPSAS) for the presentation of the financial statements of the United Nations. The Secretary-General presented his first progress report (A/62/806) on the adoption of IPSAS to the General Assembly in April 2008. The present report provides an update on the activities towards the implementation of IPSAS, covering the period from 1 April 2008 to 31 July 2009, and informs of progress across the United Nations system and at the United Nations itself.

The General Assembly is requested to take note of the present report.

* A/64/150 and Corr.1.

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I. Introduction

1. The financial statements of the United Nations as well as those of the majority of United Nations system organizations are prepared in accordance with United Nations System Accounting Standards (UNSAS). United Nations system accounting professionals and auditors have recognized that UNSAS has not kept pace with best practice. In 2005, the Task Force on Accounting Standards (Task Force) concluded that adoption of International Public Sector Accounting Standards (IPSAS) would improve the quality, comparability and credibility of the financial reporting of United Nations system organizations. This conclusion was then endorsed by the Finance and Budget Network of the United Nations System Chief Executives Board for Coordination's High-Level Committee on Management. On 30 November 2005, in response to the Task Force's proposal, the Committee recommended that all United Nations system organizations adopt IPSAS, effective no later than 2010.

2. The strategy for IPSAS implementation has two aspects: a phased approach to implementation and a "two-level" approach to resources. Phased implementation means that organizations adopt in two phases, with the first group of "early adopter" organizations adopting effective 2008 and the second group adopting effective 2010 or later. This allowed those organizations that wanted to implement more quickly to move ahead at their desired speed. It has also provided scope for other organizations to learn from early adopters. The World Food Programme (WFP) has adopted effective 2008, while the World Health Organization (WHO), the International Civil Aviation Organization (ICAO) and other organizations are progressively implementing with full implementation now expected by 2010.

3. The "two-level" approach involves providing implementation resources at the system-wide level and at the individual organization level. In 2006, the High-Level Committee approved a jointly funded system-wide project to support a harmonized framework of IPSAS-compliant policies and achieve economies in addressing common implementation issues. The system-wide project develops IPSAS policies and guidance, and provides other types of implementation support.

4. At the individual organization level, each entity is responsible for establishing its own project team and dedicating sufficient resources to ensure successful implementation of IPSAS.

5. At the United Nations, the Secretary-General, in his report dated 12 May 2006 (A/60/846/Add.3), sought approval of IPSAS adoption within the context of the proposed reform measures for a stronger Organization worldwide, emphasizing the benefits of IPSAS for improved governance, accountability and transparency.

6. In its report (A/60/870), the Advisory Committee on Administrative and Budgetary Questions (ACABQ) recommended the adoption of IPSAS by the United Nations, noting that the proposed timetable for implementation of IPSAS would need to be synchronized with the introduction of a new information technology system for the Organization. In its resolution 60/283, the General Assembly approved the adoption of IPSAS by the United Nations and also approved the resources to begin the process of implementing IPSAS. The General Assembly, in the same resolution, also approved the replacement of the Organization's Integrated Management Information System with a next-generation enterprise resource planning (ERP) system or other comparable system.

7. In April 2008, the Secretary-General presented his first progress report on the adoption of IPSAS (A/62/806). The present report is an update to the first progress report, detailing progress towards IPSAS implementation for the period from 1 April 2008 to 31 July 2009. Progress towards the adoption of IPSAS at the system-wide level is described in section II, followed by progress at the United Nations, in section III. Action to be taken by the General Assembly is set out in section IV of the report.

II. United Nations system-wide IPSAS adoption project

A. Overview

8. As stated in paragraph 3 above, the High-Level Committee on Management approved a jointly funded project to support the adoption of IPSAS by United Nations system organizations during the period 2006-2009. Specific responsibilities include the development of harmonized system-wide accounting policies and guidance; monitoring of organizations' implementation progress; sharing of information, including lessons learned by early adopters; and, input into the development of new Standards issued by the IPSAS Board. Since the previous progress report, the major areas of achievement for the system-wide IPSAS Project Team have been the development of further accounting guidance papers, input into new Standards, communication of IPSAS information, and development of IPSAS training courses. Further information about progress in each of these areas is provided below, after brief coverage of the project's governance, organization and budget.

B. Project governance, organization and budget

9. The system-wide IPSAS adoption project falls under the auspices of the Chief Executives Board for Coordination High-Level Committee on Management. The Project Team reports to a Steering Committee, with members from organizations headquartered in New York, Geneva, Rome and Vienna. The Steering Committee is accountable to the Task Force on Accounting Standards (the Task Force), which is accountable, through the Finance and Budget Network, to the High-Level Committee. In 2006, the High-Level Committee approved a four year (2006-2009) budget for a project team of five Professional-level (general temporary assistance) staff.

10. In addition to the project governance structure, regional focus groups have been established in New York, Geneva, Vienna and Rome to facilitate consultation on accounting policies and guidance. Focus groups review accounting papers prepared by the system-wide project team and provide written comments, which the team analyses. Each draft paper is then submitted to the Task Force for review and approval, along with the comments received, the analysis, and a list of resulting revisions. This formal consultation process supports high-quality Task Force decisions and organizations' acceptance of those decisions.

11. Since the last progress report, the main development has been the decision of the High-Level Committee, in February 2009, to approve project continuance for the period 2010-2011. The possibility of system-wide support beyond the end of 2009

had been noted by the High-Level Committee in February 2006, when the project was first approved. After a consultative process on different options Task Force and Finance and Budget Network members recommended to the High-Level Committee that system-wide support should continue at a reduced level. The proposed budget for the biennium 2010-2011 is 43 per cent lower than the 2008-2009 budget, $1.331 million compared to $2.332 million, and provides for one team leader at the P-5 level, two financial analysts at the P-4 level, and a part-time assistant at the General Service level. Project outputs for 2010-2011 cover communication and coordination (including IPSAS progress reports); maintenance of accounting policies and guidance; and, input into the development of new Standards produced by the IPSAS Board.

C. IPSAS-compliant accounting policies/guidance

Accounting policies and guidance

12. A stable policy platform was established in 2007. The focus during 2008-2009 has been further guidance, with new policies only developed to address options created by new and revised Standards. The system-wide Project Team developed 14 new accounting guidance papers and 3 policy papers during the 15-month period from 1 April 2008 to 30 June 2009. These papers are listed in annex I to the present report. The Task Force reviewed and approved all 14 guidance papers. Nine further papers, on which Task Force decisions had not been reached during previous years, were reviewed again and approved. In addition, a consultancy to provide consolidation guidance was completed in October 2008. The consultants developed: a consolidation questionnaire, which was completed by all organizations and the results summarized; detailed guidance on consolidation issues as they affect four individual organizations (ICAO, United Nations Development Programme (UNDP), WHO, and the United Nations); and a consolidation guidance paper. The issue of United Nations consolidation is discussed further in section IV below. Since the start of the project, 56 accounting papers altogether have been developed.

Involvement with the International Public Sector Accounting Standards Board

13. The IPSAS Board develops new Standards and revises existing ones. The system-wide project team is responsible for effectively representing United Nations system issues to the IPSAS Board and communicating Board developments to Task Force members. The Board increased its output during 2007-2009. This has meant an increase in the need for input and communication during 2008-2009. During the period from 1 April 2008 to 30 June 2009, the system-wide Project Team developed three written submissions and completed preliminary analyses on six draft Standards (Exposure Draft (ED) 36 Agriculture, EDs 37-39 Financial instruments (three new Standards), ED 40 Intangibles, ED 41 Entity combinations). Input through contributions at Board meetings has included comments on these and other Standards at earlier stages of development, on consultation papers related to the Board's conceptual framework, and on the Board's strategic plan.

14. Once new Standards have been issued (or existing Standards revised) it becomes necessary to revise the related system-wide accounting papers. Terminology and referencing may need to be updated and, in a few cases, there may also be changes of substances. The six new Standards mentioned above are not

expected to result in many major changes, because they are based on existing International Financial Reporting Standards (IFRS) and the system-wide guidance is also based on IFRS. The project budget for 2010-2011 covers continued IPSAS Board involvement to ensure that the Board considers United Nations system issues as it develops new standards.

D. Communication and training

15. Effective communication is a vital part of the system-wide project. The system-wide Project Team has developed products and pathways to communicate information related to IPSAS guidance and policies, IPSAS developments, IPSAS training, organizations' implementation progress, and, information on a wide set of other IPSAS implementation-related issues. In the 16 months from 31 March 2008 to 31 July 2009, further communication progress has included:

(a) Two High-Level Committee on Management IPSAS progress reports (covering periods ended 31 July 2008 and 31 January 2009);

(b) Circulation of IPSAS Board information (including outcomes from four IPSAS Board meetings, draft Standards, and analyses of the draft Standards) and issues raised with the IPSAS Board;

(c) Maintenance of the CEB Accounting Standards website.

Task Force meetings

16. A major undertaking has been the organization of two Task Force meetings (in June 2008 and May 2009). The meetings each involved more than 20 different agenda items consisting of accounting papers, presentations on a variety of implementation issues (e.g., project management, IPSAS manuals, IPSAS communication and training), and breakout sessions to discuss topics in more depth. Presentations on the WFP implementation of IPSAS were a highlight of the May 2009 Task Force meeting. The system-wide team provides substantive support to the technical reviews and discussions, in addition to servicing the meetings themselves by ensuring that all Task Force meeting papers are available, administering the agenda and participants list, and drafting meeting minutes.

17. The Accounting Standards website is continually updated, and on average two e-mails per month are sent out to Task Force members and IPSAS team leaders, with issues and requests batched. E-mails provide information on focus group and Steering Committee discussions, and IPSAS Board developments. They also include requests for comments on accounting papers and draft Standards, and information on organizations' IPSAS implementation.

Communication with auditors

18. Communication with external auditors on IPSAS issues has continued to be a high priority during this period. Communication activities have included a presentation to representatives of the Technical Group of the Panel of External Auditors (the Technical Group) in March 2009, participation by representatives of the Technical Group in the June 2008 and May 2009 Task Force meetings, and provision of accounting papers to auditors through the auditors' section of the Accounting Standards website. Technical Group representatives provided

presentations at each Task Force meeting. At the May 2009 meeting, the WFP external auditor described the Programme's implementation of IPSAS from the auditor's perspective.

Training

19. Organizations are responsible for developing their IPSAS training plans and rolling out their training according to plan. In addition, a system-wide approach to training has been developed to support organizations' IPSAS training, comprising three phases:

(a) **Phase 1. Training needs assessment.** An IPSAS training-needs assessment survey was undertaken in April 2007. Responses indicated an initial estimated audience for IPSAS training across the United Nations system of 36,000, of which 65 per cent would require awareness training, 25 per cent would require basic conceptual training, and 10 per cent specialist conceptual training. The survey confirmed that a broad set of staff, including but not restricted to accountants, would require IPSAS training;

(b) **Phase 2. Procurement of training courses.** A set of 18 courses covering awareness and conceptual training as identified for development (see annex II to the present report) and a firm of contractors engaged for their development;

(c) **Phase 3. Deployment of training.** Phase 3 involves individual organizations planning, managing and executing their training delivery, using the system-wide products as they become available. For this phase, all organizations develop their own training plans, tailored to their individual requirements.

20. As at 31 July 2009, the majority of the upfront course development work had been completed. All 18 courses are expected to be completed during the third quarter of 2009. A list of training courses and their status as at 31 July 2009 is provided in annex II.

21. The completion of these 18 courses (7 computer-based training courses and 11 instructor-led courses) is a major achievement, the majority of which is due to the efforts of the United Nations IPSAS team. In October 2008, management of the IPSAS training consultancy was transferred to the United Nations team (see para. 41 below), after it became apparent that reductions in system-wide IPSAS team resources meant that resources would be insufficient to provide the necessary quick turnaround and high quality review of draft courses. A small amount of support in terms of training course review has been provided by the system-wide team since transfer.

E. IPSAS adoption progress by United Nations system organizations

22. All organizations have continued to make progress, but some organizations have had to push out their implementation dates to 2011, 2012 and, in the case of the United Nations, to 2014. A major achievement was the World Food Programme's successful implementation of IPSAS effective 2008. The two other organizations that originally planned to adopt in 2008, ICAO and WHO, have revised their implementation dates to 2010. Altogether, 10 organizations are now expecting to implement by 2010.

IPSAS implementation readiness for 2010

23. For an organization to adopt IPSAS effective 2010, all policies, procedures and systems need to be ready by 1 January 2010. Because of the time needed to make changes to policies, procedures and systems, most organizations would need to have completed key implementation steps such as budget approval, development of detailed project plans, and an assessment of necessary information system changes a minimum of two years before their target date. Therefore, for organizations adopting effective 2010, these implementation steps should have been in place no later than January 2008.

24. Concerns about some organizations' readiness for 2010 emerged during 2008, when it became clear that organizations had not completed key steps. For example, by the end of January 2008, 25 per cent of organizations had not yet received IPSAS budget approval, 30 per cent did not have a detailed timetable and project plan, and 35 per cent had not completed their assessments of necessary system changes. In addition, only 65 per cent reported that their enterprise resource planning project timetables were synchronized with their IPSAS timetable. Concerns about organizations' readiness for 2010 were brought to the attention of the High-Level Committee on Management. At its February 2009 meeting, the High-Level Committee encouraged organizations to take appropriate steps to achieve the 2010 target date wherever possible, but also to review and adjust their target dates if necessary.

Revised IPSAS implementation dates

25. Significant additional costs and project instability are likely to occur where an organization attempts to accelerate change faster than is realistically achievable. By mid-2008, two organizations — the United Nations and the Food and Agriculture Organization of the United Nations (FAO) — had already concluded that their projects would need to extend beyond 2010. Other organizations have now revised their implementation dates.

26. As at 30 June 2009, 10 organizations have reported that their target date remains 2010, although 2 of those organizations have indicated that they plan to review that date before the end of 2009. Three organizations now plan to implement IPSAS by 2011, while seven organizations plan to implement by 2012. The United Nations has extended its date to 2014 and this is discussed further in section III below. A list of organizations and their IPSAS implementation dates, as at 30 June 2009, is provided in annex III to the present report.

Reasons for deferral and readiness for 2012

27. The main reasons that organizations report for deferral of IPSAS implementation are the following:

(a) Delays experienced in gaining approval for the necessary funding;

(b) The need to align IPSAS timetables with related ERP project timetables;

(c) An improved appreciation of the scale and complexity of the work involved after completing a diagnosis of required procedures and systems changes;

(d) Problems in recruiting and retaining project staff;

(e) Competing reform initiatives limiting the ability of staff to engage on IPSAS issues.

28. Where organizations are now aiming to implement effective 2012, they should have completed the implementation steps listed below by December 2009, in order for 2012 implementation to proceed without major risks. Organizations' progress in completing these key steps as at 30 June 2009 is shown below:

(a) Governing body approval gained (100 per cent);

(b) Approved budget for IPSAS adoption (91 per cent);

(c) IPSAS project manager appointed (95 per cent);

(d) Detailed timetable and project plan prepared (73 per cent);

(e) Standards reviewed and impacts identified (91 per cent);

(f) Assessment of required systems changes completed (86 per cent);

(g) Communication plan prepared (64 per cent);

(h) Training plan prepared (32 per cent).

29. Subsequent to completing these steps, the bulk of project roll-out work remains. A well-resourced internal project team and strong support from senior management, business and operations departments, external auditors, and an organization's governing body are all critical to successful implementation.

Early adopter — World Food Programme adopts effective 2008

30. WFP went live with IPSAS on 1 January 2008 and, in May 2009, issued its first set of IPSAS-compliant financial statements for the year ended 31 December 2008. It is noteworthy that the external auditor has issued an unqualified audit opinion on the statements with no matter of emphasis paragraphs. WFP has produced a short, very readable brochure about its first set of IPSAS financial statements, which is available from the CEB/Accounting Standards website and includes a summary of critical success factors for IPSAS implementation. WFP shared its experience with other organizations at the Task Force meeting in May 2009. Because of the level of interest on the part of meeting participants and the large number of questions, the WFP IPSAS team subsequently met with organizations in New York, Geneva and Vienna during May and July to further share the Programme's IPSAS implementation experiences.

III. IPSAS adoption at the United Nations

A. Overview

31. The Secretary-General's first progress report on the adoption of IPSAS at the United Nations (A/62/806) communicated a target date for IPSAS implementation by the United Nations of 2011, contingent on having the IPSAS-required modules of the ERP system in place by the end of 2010. ACABQ, in paragraph 9 of its report (A/63/496), recalling the Board of Auditors' observation that the delay in funding the ERP project would have a direct impact on the implementation of IPSAS, was of the view that it might be advisable to implement IPSAS in 2012, rather than in the

middle of the biennial budget period. In this way, the financial statements for the biennium 2012-2013 could be prepared in accordance with IPSAS. The General Assembly, in its resolution 63/262, took note of the Secretary-General's first progress report and endorsed the conclusions and recommendations of ACABQ.

32. The Secretary-General has submitted a separate progress report on the ERP project (A/64/380), which is now referred to as the Umoja Project, that recommends, inter alia, the most appropriate ERP implementation strategy for the Organization. The recommended "Pilot First" implementation strategy projects Organization-wide deployment of the ERP system by the third quarter of 2013. Accordingly, the activities and timeline of the IPSAS Implementation Project have been adjusted to synchronize with the revised timetable of the Umoja Project and the target date for the first full set of IPSAS-compliant financial statements for the United Nations has now been adjusted to 31 December 2014. This target date continues to be subject to the successful and on-time implementation of the Umoja Project.

33. Other important developments during the period from April 2008 to July 2009 include the strengthening of the governance structure to provide more robust guidance; in this context, the role and membership of the United Nations IPSAS Steering Committee was expanded to include representation from the field and all major stakeholders. Significant progress has also been made in the development of IPSAS training products and plans for their deployment. Further, work has continued in the area of development of IPSAS-compliant accounting policies and guidance; upcoming activities shall focus on the operationalization of these policies and enhanced communication. These are described in the following sections.

B. Project governance and organization

34. Following the approval by the General Assembly for the Organization to adopt IPSAS, a United Nations IPSAS Steering Committee was formed. The membership and role of the Steering Committee, as first formulated in January 2007, was largely limited to the Office of Programme Planning, Budget and Accounts and to endorsing of harmonized IPSAS-compliant policies and guidance.

35. In 2009, a revised United Nations IPSAS Steering Committee was established with an expanded role and membership. Under its expanded role, the United Nations IPSAS Steering Committee is responsible for overseeing and guiding the implementation of IPSAS at the United Nations across all its offices and departments by, inter alia, ensuring the engagement of the field and all key stakeholders and ensuring synchronization with the Umoja Project. In addition to the Office of Programme Planning, Budget and Accounts, the Steering Committee now has representation from the Department of Field Support at Headquarters and the field, offices away from Headquarters, the regional commissions and the Umoja Project.

36. The expansion of the role and membership of the United Nations IPSAS Steering Committee and the commencement of regular monthly meetings signal increased activities to implement IPSAS at the United Nations. Monthly Steering Committee meetings are held via videoconference and a face-to-face meeting is planned for later in 2009 in conjunction with the annual Chief Finance Officers workshop.

C. United Nations IPSAS Project Team activities

37. The United Nations IPSAS Implementation Project Team was established in April 2007 within the Office of Programme Planning, Budget and Accounts. The project team currently comprises five members, including a Project Team Leader at the P-5 level, who was appointed effective 1 April 2007, two Professionals at the P-4 level, one Professional at the P-3 level and one team member at the General Service (Other level). Recruitment of three additional project team members at the Professional level is currently in progress; this will boost the project team to eight members, significantly expanding the capacity of the project team in anticipation of an increased pace of IPSAS implementation activities, in conjunction with the Umoja Project.

38. To date, the United Nations IPSAS Implementation Project Team has been funded with resources from both the United Nations regular budget and the peacekeeping support account; of the seven Professional-level positions currently approved, three posts are funded from the United Nations regular budget and four positions are funded through general temporary assistance from the peacekeeping support account. In addition, the General Service (Other level) post is funded from the United Nations regular budget.

39. The main tasks of the United Nations IPSAS Implementation Project Team continue to be:

(a) Managing the United Nations IPSAS implementation project, ensuring delivery of outputs;

(b) Working with the system-wide IPSAS Project Team to achieve progress on harmonized system-wide accounting policies/guidance, providing the United Nations position thereon;

(c) Completing specific implementation tasks: determination of IPSAS-compliant accounting policies/guidance, related workflows, and details of IPSAS-compliant model financial statements; ensuring effective internal communication; overseeing the deployment of training for the United Nations and the production of appropriate documentation;

(d) Engaging required consultants and ensuring provision of contracted deliverables; work in this area has been rescheduled to commence towards the end of 2009, as the activities to be carried out by the IPSAS consultants were synchronized with the related activities in the Umoja Project.

Development of training products

40. During the period covered by the present report, one of the major achievements of the United Nations IPSAS Implementation Project Team has been in the area of training, which involved working with consultants to develop IPSAS training products for use by United Nations system organizations.

41. As mentioned in paragraph 21 above, the responsibility for managing the training consultancy was transferred to the United Nations IPSAS Implementation Project Team, which was tasked with ensuring the delivery of high-quality training products that reflect United Nations system-specific issues. This has proven to be a major undertaking, requiring the commitment of an average of two financial experts

from the United Nations IPSAS Implementation Team on an ongoing basis over the past 7 months; this work is nearing successful completion (see annex II).

Accounting polices and guidance

42. The United Nations IPSAS Implementation Project Team has reviewed and documented the position of the United Nations as regards the system-wide accounting policy/guidance papers produced (see para. 12 above) after discussion with the relevant working groups. The United Nations Board of Auditors has also been provided with copies of the accounting policy/guidance papers and has been requested to provide comments. The United Nations IPSAS Implementation Project Team also supported the policy development work of the IPSAS Board by providing comments on the draft conceptual framework on IPSAS, which is currently under consideration by the IPSAS Board, and on the Exposure Drafts on Financial Instruments: Recognition and Measurement and on Accounting for Intangible Assets.

43. In addition, the United Nations IPSAS Implementation Project Team has worked on IPSAS-compliant accounting and reporting for United Nations-specific issues and during the reporting period has reviewed, inter alia, the IPSAS-compliant accounting for the Capital Master Plan, the reporting of goods and services in-kind provided under the Status-of-Forces Agreement and Status-of-Missions Agreement, and the accounting for funding arrangements under the European Commission's Financial and Administrative Framework Agreement. In addition, work has progressed on consolidation under IPSAS.

44. Further, and in accordance with the recommendation of ACABQ (see A/63/496, para. 4) that the United Nations draw on the IPSAS implementation experiences of other United Nations system organizations, the accounting policies and guidance adopted by WFP were closely reviewed as that organization presented its first IPSAS-compliant financial statements as at 31 December 2008 and received an unqualified audit opinion. These were discussed over the course of several meetings in May 2009 with WFP sharing its IPSAS implementation experiences. A summary of lessons learned and the critical success factors for WFP have been documented for the United Nations reference and guidance purposes.

Consolidation

45. IPSAS requires the presentation of consolidated financial statements, that is, the financial statements of the reporting entity and its controlled entities are presented as those of a single entity. As referred to in paragraph 12 above, at the United Nations system-wide level, a consulting firm was contracted to undertake a study to provide guidance in determining the IPSAS-compliant reporting entity boundaries for the presentation of consolidated financial statements within United Nations system organizations. The consultant gave a presentation on consolidation to the Task Force on Accounting Standards in June 2008 and subsequently submitted a guidance paper; however, with respect to consolidation at the United Nations, the guidance paper did not arrive at any definitive conclusions.

46. The United Nations IPSAS Implementation Project Team then initiated a project to further consider whether there is a requirement for the United Nations to present consolidated financial statements under IPSAS. The approach taken was to first define the core reporting entity/entities of the Organization, then determine the

related entities, apply the "control" test using the "power" and "benefit" criteria detailed in IPSAS 6 "Consolidated financial statements and accounting for controlled entities", and examine other considerations relevant to the issue of consolidation. The Office of Legal Affairs is assisting the United Nations Implementation Project Team in the examination of the relationships between the United Nations and its related entities as one important input to applying the "control" test. The consolidation project also involves the consideration of the various volumes of financial statements that are currently prepared by the United Nations Secretariat, including those relating to peacekeeping operations, for possible consolidation or aggregation as required by IPSAS. The issue of consolidation under IPSAS for the United Nations is complex and remains under examination with further consultations required with the Office of Legal Affairs and the funds and programmes.

47. In accordance with the recommendation of ACABQ (A/63/474, para. 22), that the General Assembly keep the matter of consolidation under review, any resulting recommendations relating to consolidation of the Organization's financial statements will be presented to the General Assembly at a later date.

Planned activities

48. In the coming year, the United Nations IPSAS Implementation Team expects to dedicate an increased amount of time to the operationalization of the approved IPSAS-compliant accounting policies/guidance, as the project's emphasis moves from the determination of conceptual policies to their application in the most efficient way; this will be done in conjunction with the design work being undertaken by the Umoja Project (see para. 50 below). The operationalizing of the policies will involve coordinating the process to develop detailed procedures and associated changes in workflows and internal control polices. The work of the United Nations IPSAS Implementation Team in this area will be supported by a consulting firm and by the increasing engagement of internal working groups on IPSAS. The working groups draw upon experts in subject areas and, under the overall guidance of the United Nations IPSAS Implementation Team, will be called upon to further refine the Organization's position on recommended United Nations system-wide accounting policies/guidance, analysis of the practical implications of IPSAS adoption, identification of issues that require IPSAS-compliant solutions and development of IPSAS-compliant procedures and workflows, all in conjunction with other changes arising from the Umoja Project.

49. Further, the United Nations IPSAS Implementation Team will commence the deployment of IPSAS training in a phased manner and provide support for the IPSAS-related aspects of the high-level design of the ERP system.

D. Collaboration with the Umoja Project

50. In its resolution 60/283, in tandem with the decision to adopt IPSAS, the General Assembly decided to replace the current Integrated Management Information System (IMIS) with a next-generation ERP system or other comparable system. The strategy is to integrate the IPSAS adoption process into the project to upgrade the information technology systems of the United Nations, ensuring full synergy and economies of efforts between the IPSAS and Umoja projects.

51. The United Nations IPSAS Implementation Project Team worked closely with the Umoja Project Functional Team Leaders to ensure that the information system requirements for IPSAS were incorporated in the ERP software selection process. Over the coming months, the United Nations IPSAS Implementation Project Team will be engaged with the Umoja Team in the high-level design of the ERP, including, inter alia, the development of the Chart of Accounts, the data and database file structures, the Business Blueprint, and the documentation of the data conversion and migration plans. Beyond the design phase, the IPSAS Project will continue to work with the Umoja Project as it moves into the "Build" and "Implement" phases.

Timing of IPSAS implementation

52. As previously noted, the Umoja Project has modified its implementation strategy. The earlier proposal was that the ERP system would be designed, built, tested and deployed in two waves, with the fast-tracked priorities, including the modules to support IPSAS compliance, included in Wave 1, and would be substantially completed by the end of 2010. As a result, the first progress report on IPSAS (A/62/806) communicated a target date for IPSAS of 31 December 2011, contingent on having the IPSAS required modules of ERP in place by the end of 2010.

53. However, as noted in paragraph 31 of the present report, ACABQ was of the view that it may be advisable to implement IPSAS in 2012, rather than in the middle of the biennial budget period. In this way, the financial statements for the biennium 2012-2013 could be prepared in accordance with IPSAS. The General Assembly took note of the Secretary-General's first progress report and endorsed the conclusions and recommendations of ACABQ. Accordingly, the IPSAS implementation target date was adjusted to 2012.

54. The Umoja implementation strategy now recommended calls for a full enterprise design, build and test followed by a "Pilot First" initial deployment, and then phased roll-out to offices around the world (see A/64/xxx). This proposed implementation strategy projects a pilot deployment during the fourth quarter of 2011 and a fully functional ERP system Organization-wide by the third quarter of 2013.

55. Bearing in mind that IPSAS-compliant data is required by all offices from the start of the financial period and that the data must be maintained on an IPSAS-compliant basis throughout the period, the Organization is now targeting its first full set of IPSAS-compliant financial statements for the year ending 31 December 2014. For the current biennium, and the biennium 2010-2011, the Organization will continue to prepare financial statements in accordance with the current accounting standards, that is, UNSAS. The biennium 2012-2013 will be a difficult transition period, with additional challenges arising from some offices being under IPSAS policies and others under UNSAS. As financial statements must use the same accounting policies across all offices included therein, the United Nations IPSAS Implementation Project Team will determine in conjunction with the Umoja Project Team a process for the production of appropriate UNSAS-compliant reports for those offices that would have converted to Umoja during the transitional period, in order to support the preparation of UNSAS-compliant financial statements up to

31 December 2013. The details of how this will be achieved will require further analysis.

56. As regards the financial statements for peacekeeping operations, the plan is to produce the first IPSAS-compliant financial statements as at 30 June 2014. In order to achieve this, conversion of all peacekeeping missions to Umoja should have been completed by the second quarter of 2013. The fiscal year ending 30 June 2013 would be a difficult transition period and a conversion approach for those missions that would be on Umoja would need to be undertaken so that all data could be rolled back to UNSAS, and UNSAS-compliant financial statements prepared for the period ending 30 June 2013.

57. It is recognized that this revision of the target date for the implementation of IPSAS has the consequence of deferring the benefits that are expected to result from IPSAS-compliant financial processes and reporting. However, given the most recent timetable of the Umoja Project and the dependencies of IPSAS on a successfully deployed ERP system Organization-wide, there is no other viable option but to defer IPSAS-compliant reporting to 2014.

58. An outline of the IPSAS implementation plan is presented in annex IV to the present report. A more detailed IPSAS implementation plan will be developed based on the detailed plans to be formulated by the Umoja Project.

59. In the meantime, the IPSAS Implementation Project will continue its strategy of progressive incorporation of IPSAS requirements to the extent allowed by the current information systems of the Organization and as permitted by UNSAS. However, because of the information system's limitations, these changes will necessarily be very limited.

60. Required changes to the United Nations Financial Regulations and Rules arising from IPSAS and changes in the workflows and processes brought about by the Umoja Project shall be proposed for consideration by the legislative bodies in advance of their implementation.

E. Communication and training

Communication

61. Recognizing that effective communication is key to the success of a project of this magnitude, the United Nations IPSAS Implementation Project continues to develop communication channels and products that promote effective communication.

62. As part thereof, a number of internal workshops and briefings have been held. A significant portion of the 2008 Chief Finance Officers workshop for finance officers from offices away from Headquarters and peacekeeping and special political field missions was dedicated to IPSAS. In addition, briefings on IPSAS were provided to the Management Committee, the Independent Audit Advisory Committee, the Board of Auditors and to Chief Administrative Officers, the Programme Planning and Budget Division, the Department of Field Services, the Executive Officers, the Procurement Division, the Office of Internal Oversight Services, the Joint Inspection Unit, and finance and accounting officers of the self-accounting United Nations information centres. The aim is to increase awareness of

the upcoming changes and challenges and to discuss how IPSAS will affect work in the various areas.

63. An iSeek page dedicated to IPSAS implementation was launched in December 2007, and this Intranet site has been updated with a number of policy/guidance documents and training plans and progress reports. The iSeek page on IPSAS also has various resource links that provide additional information on IPSAS, including links to the individual IPSAS standards and to the website of the United Nations System Chief Executives Board.

64. Further in the upcoming year, the United Nations IPSAS Implementation Project plans to launch a newsletter; it will be prepared quarterly commencing January 2010 and will provide staff with an update of the IPSAS implementation project, communicate training plans and will also address specific IPSAS accounting and reporting issues. The IPSAS newsletter is envisioned to be a major communication tool that will build "buy in" and increase awareness.

Training

65. A prerequisite for the production of IPSAS-compliant financial statements is the successful deployment of a comprehensive IPSAS training programme. Accordingly, the United Nations IPSAS Implementation Project Team will develop and oversee the deployment of training on IPSAS, which is separate from the training on Umoja.

66. During the reporting period, significant progress has been made in preparing for formal training on IPSAS and a preliminary IPSAS Training Plan for the period 2010-2011 has been developed. A training survey will be issued to further refine the Training Plan.

67. As mentioned in paragraph 19 above, the IPSAS Training Plan details two types of IPSAS-related training: awareness training and conceptual training.

68. The objective of awareness training is to communicate the upcoming changes and their impact on the Organization to all stakeholders, encourage staff to start thinking about the implications for their own areas of work, and build "buy in" for the change to IPSAS. Awareness training is seen as a key component of the overall change management process. Awareness training will be done primarily via a computer-based training course entitled "Orientation to IPSAS". This course explains why IPSAS are the appropriate standards for the United Nations system organizations; discusses at a high level the changes, challenges and benefits resulting for IPSAS adoption; outlines the IPSAS implementation strategy at the United Nations system-wide level; and lists the critical steps towards IPSAS implementation. It is estimated that about 3,500 United Nations staff members worldwide should be targeted to take the orientation course, though it will be made available to all staff via the internet.

69. Conceptual training will be done via both computer-based training and instructor-led training courses. Conceptual training via computer-based training will be widely available to all staff, while staff for instructor-led training courses on conceptual training will be on the basis on nominations. Conceptual training via instructor-led training primarily targets finance staff and those non-finance staff who can benefit from cross-functional training.

70. The preliminary plan on the deployment of instructor-led training for the biennium 2010-2011 calls for 23 training sessions of three weeks each; each session will consist of a two-week advanced training workshop, covering the full suite of instructor-led training courses, and a one-week intermediate level workshop that will cover a reduced number of courses. Training participants will be nominated to attend either the two-week workshop or the one-week workshop, or exceptionally, individual instructor-led training courses based on supervisor recommendation. The two-week training workshop essentially targets finance staff who must lead the change to IPSAS.

71. A preliminary plan of the timing and venues of the instructor-led training is in place. The first training sessions will commence in 2010 with the pace picking up subsequently. Training is scheduled to take place in a number of locations to minimize travel costs and is planned to be conducted as close to the peacekeeping and special political field missions as possible. Locations identified to host IPSAS training include Brindisi, Italy, Entebbe, Uganda, Nairobi, Geneva, Addis Ababa, Bangkok, Vienna, Santiago and New York. The timing and venues of the instructor-led training shall be further refined when the results of the training survey are analysed.

72. The United Nations IPSAS Implementation Project Team is responsible for the development of the training products and overseeing implementation of the Training Plan. The training itself will be conducted primarily by contracted individuals, who are experts in IPSAS and also who have been trained in the workings of the United Nations, supported by members of the United Nations IPSAS Implementation Project Team and by subject matter experts within the Organization. Subject matter experts will be identified and trained prior to the deployment of the instructor-led training.

F. Status of expenditures

73. In its resolution 60/283, the General Assembly approved the resources to begin the process of implementation of IPSAS. The table below provides a summary of the expenditures for the period 2006-2007, the revised appropriation for the biennium 2008-2009, a summary of the expenditures for the biennium 2008-2009 as at 31 July 2009, and estimated requirements for the biennium 2010-2011 by funding source.

IPSAS adoption at the United Nations 2006-2011

(Thousands of United States dollars)

	2006-2007 expenditures	*2008-2009 revised appropriation*	*2008-2009 expenditures up to 31 July 2009*	*2010-2011 estimates (before recosting)*
Object of expenditure				
Regular budget				
Posts	370.4	1 198.3	964.3	1 198.3
General temporary assistance	—	—	—	683.5
Consultants	—	1 335.8	—	544.1
Travel	10.2	243.3	34.3	160.8

	2006-2007 expenditures	2008-2009 revised appropriation	2008-2009[a] expenditures up to 31 July 2009	2010-2011 estimates (before recosting)
Contractual services	16.4	2 838.2	0.3	626.5
Other	10.9	26.6	2.2	24.0
Section 28B, Office of Programme Planning, Budget and Accounts	**407.9**	**5 642.2**	**1 001.1**	**3 237.2**
Section 31, Jointly financed activities	**427.1**	**732.2**	**732.2**	**417.9**
Total, regular budget	**835.0**	**6 374.4**[b]	**1 733.3**	**3 655.1**[c]
Peacekeeping support account				
General temporary assistance	324.2[d]	1 248.4	516.6	1 495.2
Consultants	—	2 280.0	—	1 925.0
Travel	—	100.0	—	858.0
Total, peacekeeping support account	**324.2**[e]	**3 628.4**[f]	**516.6**[g]	**4 278.2**[h]
Extrabudgetary resources				
Consultants		—	—	1 120.0
Contractual services	—	—	—	831.9
Total, extrabudgetary resources	—	—	—	**1 921.9**
Grand total	**1 159.2**	**10 002.8**	**2 249.9**	**9 855.2**

[a] These figures are preliminary.
[b] Represents revised appropriations; refer to General Assembly resolutions 63/263 and 63/264 A-C.
[c] Represents proposed budget for 2010-2011 before recosting, refer A/64/6 (Sect. 28.B and Sect. 31).
[d] Revised.
[e] Represents expenditures for calendar years 2006-2007.
[f] Appropriations for the peacekeeping financial years 2007/08 and 2008/09, refer General Assembly resolutions 61/279 and 62/250.
[g] Expenditures for calendar years 2008 and 2009 up to 31 July 2009.
[h] Approved requirements for 2009/10 of $2.1 million, General Assembly resolution 63/287 and an equivalent estimate for 2010/11.

74. As shown in the table above, expenditures for the period 2006-2007 for the implementation of IPSAS amounted to $1,159,200 ($835,000 for the regular budget and $324,200 for the peacekeeping support account) which largely resulted from staff costs and support provided to the jointly financed United Nations system-wide IPSAS Project. Expenditures for the current biennium of 2008-2009 amounted to $2,249,900 as at 31 July 2009, reflecting the increase in the staff resources of the United Nations IPSAS Implementation Team as well as an increased contribution to the United Nations system-wide IPSAS Project.

75. The estimated requirements for the biennium 2010-2011 amount to $9,855,200. Of this amount, $3,655,100 is being proposed under the regular budget. An amount of $4,278,200 is estimated to be funded under the peacekeeping support account in fiscal 2010 and 2011 and $1,921,900 from extrabudgetary sources.

76. The comparatively high estimated requirements for 2010-2011 reflect activities in the areas of data preparation, consultancy services and IPSAS-related

training that were postponed from the biennium 2009-2010 in order to synchronize the activities of the Umoja Project. The detailed justification for the biennium 2010-2011 that is proposed to be funded from the regular budget is provided in A/64/6, Section 28B Office of Programme Planning, Budget and Accounts, and Section 31, Jointly financed activities.

IV. Action to be taken by the General Assembly

77. **The General Assembly is requested to take note of the present report.**

Annex I

Accounting policy and guidance papers

(1 April 2008-31 July 2009)

Papers	*Task Force decision*
40. IPSAS 17 (and IAS 38): Guidance note 2 Accounting for library collections	***Acknowledged*** as useful guidance, May 2009.
41. IPSAS 25: Guidance note 2 UNJSPF Early adopters	***Acknowledged*** as useful guidance, June 2008.
42. IPSAS 25: Briefing note — UNJSPF other organizations	***Acknowledged*** as useful guidance, June 2008.
43. IPSAS 12 (Inventories) and IAS 38 (Intangible Assets): Guidance Note Publications	***Acknowledged*** as useful guidance, May 2009.
44. IPSAS 17: Guidance note 3 Opening balances and fair-value measurement of property, plant and equipment for first-time adopters of IPSAS	***Acknowledged*** as useful guidance, May 2009.
45. IPSAS 18: Guidance note 1 Segment examples	***Acknowledged*** as useful guidance, June 2008.
46. IPSAS 19: Provisions and contingencies	***Acknowledged*** as useful guidance, May 2009.
47. IPSAS 23: GN 1 Goods and services in-kind	***Acknowledged*** as useful guidance, June 2008.
Consolidation under IPSAS (Deloitte)	*Completed*, October 2008
48. IPSAS 17: Guidance note 4 — Valuation of land and buildings used through lease or donated right to use agreements	***Acknowledged*** as useful guidance, May 2009.
49. IPSAS 25: Guidance note 3 Further guidance on employee benefits	***Acknowledged*** as useful guidance, May 2009.
50. IPSAS 25: Guidance note 4 Employee benefits discount rate	***Noted*** as a discussion document, May 2009. Alternative policy ***approved***, May 2009.
51. IPSAS 1 Presentation of financial statements: funds on the face of the financial statements	***Acknowledged*** as useful guidance, May 2009.
52. IPSAS 23: Guidance note 2 Multi-year funding agreements — revenue recognition	***Acknowledged*** as useful guidance, May 2009.
53. IPSAS 23: Guidance note 3 Assessed contributions	First part of paper ***acknowledged*** as useful guidance, May 2009.
54. IPSAS 4: Foreign exchange — Foreign operations	***Acknowledged*** as useful guidance, May 2009.
55. Interests less than control	***Acknowledged*** as useful guidance, May 2009.
56. Policy #3/2008 IPSAS 5 Accounting for borrowing costs: expense	Decision *deferred* until finalization of the revised IPSAS 5 by the IPSAS Board

Annex II

Development of training courses as at 31 July 2009

Course	*Course name*	*Course duration*	*Estimated completion date*
CBT-1	Orientation to IPSAS	2 hours	Completed
CBT-2	Accrual Accounting under IPSAS — The Basics	2 hours	Completed
ILT-1	Accrual Accounting under IPSAS — The Basics	0.5 days	Completed
ILT-2	Accrual Accounting under IPSAS — Beyond the Basics	1 day	By 30/09/2009
CBT-3	Accounting for Property, Plant and Equipment	2 hours	By 30/09/2009
ILT-3	Accounting for Property, Plant and Equipment	1 day	By 30/09/2009
CBT-4	Accounting for Inventories — The Basics	2 hours	By 30/09/2009
ILT-4	Accounting for Inventories	0.5 days	By 30/09/2009
ILT-5	Accounting for Employee Benefits	1 day	By 30/09/2009
CBT-5	Accounting for Employee Benefits — The Basics	2 hours	By 30/09/2009
CBT-6	Accounting for Leases	2 hours	By 30/09/2009
ILT-6	Accounting for Leases	0.5 days	By 30/09/2009
CBT-7	Accounting for Provisions and Contingencies	2 hours	By 30/09/2009
ILT-7	Accounting for Provisions and Contingencies	0.5 days	By 30/09/2009
ILT-8	Accounting for Intangible Assets	0.5 days	By 30/09/2009
ILT-9	Accounting for Financial Instruments	0.5 days	By 30/09/2009
ILT-10	Advanced Topics in Financial Reporting	1.5 days	By 30/09/2009
ILT-11	Preparing Accrual-Based Financial Statements	2 days	By 30/09/2009

Abbreviations: CBT = computer-based training; ILT = instructor-led training.

Annex III

IPSAS implementation dates for United Nations system organizations

Organization	*IPSAS implementation date*
1. Food and Agriculture Organization of the United Nations	2012
2. International Atomic Energy Agency	2011
3. International Civil Aviation Organization	2010
4. International Labour Organization	2010
5. International Maritime Organization	2010
6. International Trade Centre UNCTAD/WTO	2014
7. International Telecommunication Union	2010
8. Pan American Health Organization	2010
9. United Nations	2014
10. United Nations Development Programme	2012
11. United Nations Educational, Scientific and Cultural Organization	2010
12. United Nations Population Fund	2012
13. Office of the United Nations High Commissioner for Refugees	2011
14. United Nations Children's Fund	2012
15. United Nations Industrial Development Organization	2010
16. United Nations Office for Project Services	2012
17. United Nations Relief and Works Agency for Palestine Refugees in the Near East	2012
18. World Tourism Organization	2012
19. Universal Postal Union	2011
20. World Food Programme *(completed)*	2008
21. World Health Organization	2010
22. World Intellectual Property Organization	2010
23. World Meteorological Organization	2010

Note: Data as of 30 June 2009.

Annex IV

Implementation timetable for the United Nations adoption of IPSAS 2009-2014